

FEBRUARY 23, 1976

BRITISH ECONOMY

ANNCR:

BRITAIN'S LABOR GOVERNMENT, WHICH HAS WORKED TO IMPLEMENT MANY OF THE GOALS OF SOCIALISM, HAS PRODUCED A WHITE PAPER (2/19) PROPOSING LARGE CUTS IN PUBLIC SPENDING AND INCREASES IN AID TO PRIVATE INDUSTRY. REACTION FROM THE PARTY'S LEFT WING IS UNDERSTANDABLY CRITICAL. CORRESPONDENT RON GRUNBERG IN LONDON DISCUSSES THE REASON FOR THE GOVERNMENT PROPOSALS AND THE LIKELIHOOD OF THEIR SUCCESS.

VOICE:

FOR THE LAST COUPLE OF YEARS PRICES HAVE RISEN BY UP TO THIRTY PERCENT ANNUAL RATE, AND WAGES AT A HIGHER RATE. UNEMPLOYMENT IS AT ONE AND A HALF MILLION. BALANCE OF PAYMENTS DEFICITS HAVE GROWN AND CONFIDENCE ABROAD IN BRITAIN HAS LESSENER. EVEN WITHIN THE PAST YEAR, AS SYMPATHETIC COMMENTATORS ABROAD AND HERE WERE ATALKING ABOUT THE ACUTE BRITISH CRISIS, THE LABOR GOVERNMENT CLUNG TO ITS POLICY OF HEAVY PUBLIC SPENDING WITH PLEAS FOR VOLUNTARY RESTRAINT. FINALLY THE GOVERNMENT CAME TO REALIZE IT WOULD REALLY HAVE TO CHANGE ITS POLICIES AND, IN EFFECT, GO CONSERVATIVE ON SOME OF THEM; ALTER ITS FUNDAMENTAL APPROACH TO THE ECONOMY.

SEVERAL MONTHS AGO, THIS LABOR GOVERNMENT, WHICH HAD PLEDGED DURING THE ELECTION CAMPAIGN NEVER TO INSTITUTE STATUTORY ECONOMIC CONTROLS, DEvised A WAY TO ACHIEVE THE SAME RESULT. AN AGREEMENT, A SO-CALLED "SOCIAL CONTRACT", WAS WORKED OUT WITH THE TRADE UNIONS -- THE MOST POWERFUL FORCE OUTSIDE THE GOVERNMENT -- WHEREBY THEY WOULD RESPECT A CEILING

ON WAGES IN RETURN FOR GOVERNMENT EFFORTS TO PROMOTE SOCIAL WELFARE. IT HAS BEEN A LARGELY SUCCESSFUL ARRANGEMENT. WAGE INCREASES HAVE STAYED WITHIN THE LIMITS.

ONE YEAR AGO, THE GOVERNMENT PROPOSED, IN ACCORDANCE WITH ITS THEN-UNCHANGED PHILOSOPHY, CONSIDERABLE SPENDING FOR THE MAIN AREAS OF SOCIAL CONCERN -- MEDICINE, EDUCATION, HOUSING. LAST THURSDAY, THOUGH, THE CHANCELLOR OF THE EXCHEQUER, DENIS HEALY, RELEASED A WHITE PAPER -- A DOCUMENT TO BE ADAPTED INTO THE APRIL BUDGET -- THAT CHANGES ALL THAT. HE PROPOSES TO CUT MORE THAN TEN THOUSAND MILLION DOLLARS IN PUBLIC SPENDING OVER THE NEXT FOUR YEARS. INTERESTINGLY, THE ONLY MAJOR SEGMENT OF BRITISH LIFE THAT UNDER THIS PLAN IS TO RECEIVE LARGE INJECTIONS OF CASH IS THE PRIVATE SECTOR -- PRIVATE INDUSTRY. A LARGE PILL TO SWALLOW FOR THE SOCIALIST-ORIENTED.

THE OPPOSITION CONSERVATIVE PARTY STILL ATTACKED THE PLANS BECAUSE THERE WERE NO PROPOSALS TO SIGNIFICANTLY CUT THE AMOUNT OF MONEY THE GOVERNMENT TAKES OUT OF THE AVERAGE WORKER'S PAYCHECK. THE LABOR GOVERNMENT CAN LIVE WITH OPPOSITION CRITICISM, BUT THE REAL TEST OF WHETHER THESE SPENDING CUT PROPOSALS WILL SUCCEED LIES IN REACTION FROM LABOR'S OWN RANKS.

OVER THE WEEKEND, A JUNIOR MINISTER RESIGNED OVER THE HEALY WHITE PAPER, BECAUSE OF THE PROPOSED CUTS IN EDUCATION. BUT THE OTHER MINISTERS, INCLUDING THOSE CONSIDERED IN THE LEFT WING OF THE PARTY, HAVE REMAINED LARGELY SILENT AND IT'S THOUGHT THAT WHILE THERE WILL BE SOME PROTEST IT WILL BE MUTED AND THERE WILL BE NO RESIGNATION. THERE IS A RECOGNITION THAT REAL SACRIFICES ARE NECESSARY.

SO WHAT BECOMES THE MOST IMPORTANT REACTION IS THAT OF THE TRADE UNIONS AND THERE TOO IT SEEMS THE GOVERNMENT WILL WIN SUPPORT, EVEN THOUGH THERE WILL PROBABLY HAVE TO BE REVISIONS IN SOME OF THE SPENDING CUT PROPOSALS.

ONE LEADING TRADE UNION OFFICIAL, JACK JONES, SAYS THE WHITE PAPER MUST BE REVISED TO PRESERVE FOOD SUBSIDIES AND A CONSIDERABLE SECTION OF THE EDUCATION PROGRAM. TRADE UNION OFFICIALS ARE MEETING THIS WEEK AND IF IT SHOULD HAPPEN THAT A LARGE NUMBER OF THEM COME OUT AGAINST THE GOVERNMENT, THE LEFT IN THE CABINET AND IN PARLIAMENT WILL HAVE GREATER SUPPORT AND THE CHANCELLOR'S PLANS MAY BE THWARTED.

THE OPINION OF ECONOMIC OBSERVERS HERE IN LONDON NOW IS THAT WHILE THESE PROPOSED SPENDING CUTS WILL BE PAINFUL THEY WOULD NOT GO INTO EFFECT IMMEDIATELY. AND THE AWARENESS THAT THIS IS A REAL ECONOMIC CRISIS THAT REQUIRES REAL SACRIFICE SHOULD COMBINE TO PERMIT THE GOVERNMENT TO HAVE ITS WAY -- AT LEAST THIS TIME.

GH/RCS